Turn Your $6,000 TFSA Into $75,000 With This TSX Growth Stock

## Description

You can grow your TFSA (Tax-Free Savings Account) multifold if you can allocate top-quality growth stocks to your portfolio. The TFSA contribution limit for 2020 stands at $6,000 and you can grow this capital to $75,000 by investing in companies such as **Canada Goose** (TSX:GOOS)(NYSE:GOOS).



Canada Goose is a high-end Canadian retail company. We know the retail sector has been severely hit due to the COVID-19 pandemic. Canada Goose stock is trading at $30.69 on the TSX, which is 51% below its 52-week high and 70% below its record high.

This pullback in Canada Goose stock gives an opportunity for contrarian and growth investors to buy shares of the luxury retail brand at a cheap valuation.

# Canada Goose reports better-than-expected Q4 results

Earlier this month, Canada Goose announced its fourth-quarter results and reported sales of $140.9 million, a fall of 10% year over year. Net profit plummeted 72% to $2.5 million, or $0.02 per share. Analysts expected Canada Goose to report sales of $126.5 million and a net loss of $0.09 in Q4.

Canada Goose managed to beat analyst estimates by a wide margin. Its cost-savings efforts helped the company post an adjusted net profit. This included salary cuts from the top management and temporary store closures.

Canada Goose claimed that its first quarter will be heavily impacted, but it is also the company's smallest quarter. Company CEO Dani Reiss stated, "Most of our stores and our wholesale partner stores have been closed since late March. Retail is now starting to open back up in North America and Europe, and Asia is also continuing its recovery. This means the high point for suspended revenue will soon be past us."

Analysts expect company sales to fall by a massive 65% in Q1. They have also forecast a salesdecline of 9.1% in fiscal 2021. While the upcoming quarters will see a decline in sales, Canada Gooseshould be able to tide over macro challenges due to its strong financial strength.

At the end of Q4, the company had a cash balance of $120 million and available credit capacity of almost $250 million. In fiscal 2020, the company reported an EBIT margin of 21.6% and diluted EPS of $1.32.

## A growth stock for your TFSA

Canada Goose is eyeing an accelerating shift towards the DTC (direct-to-consumer) model. In Q4, sales from DTC were up 22% and accounted for 50% of total revenue. This metric is encouraging if you consider the number of store closures in Q4. Comparatively, wholesale revenue rose 7%, as Canada Goose continues to prioritize marketing spends towards DTC.

Another long-term growth driver for Canada Goose will be its opportunity in online retail. The e-commerce space is expected to experience robust growth in the upcoming decade and the COVID-19 pandemic will accelerate this trend. Canada Goose is fully committed to investing in expanding its digital presence as web traffic touched record levels in Q4.



According to analyst estimates, Canada Goose revenue might return to growth in 2021. Sales are forecast to climb 26.2% in fiscal 2022 while earnings might rise 67.4%. Canada Goose stock is trading at a forward 2022 sales-to-market ratio of 3.1 and a price to earnings multiple of 21, making it really attractive for your TFSA.

The company’s aspirational brand name, expanding market presence in China — the largest luxury market in the world — and its low valuation multiple make it a solid bet for the upcoming decade.

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**Date**
2025/08/25
**Date Created**
2020/06/14
**Author**
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